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STRATEGIES FOR REVITALIZATION, RECOVERY AND GROWTH OF AFRICAN TRADE IN THE 1990s

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DRAFT

STRATEGIES FOR REVITALIZATION, RECOVERY AND GROWTH OF AFRICA'S TRADE IN THE 1990s

Adopted by

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INTRODUCTION

(i) Since the 1970s, Africa's trade performance - domestic, intra-African and international - has been disappointing. A major cause for this is that in general, governments, international organizations and bilateral donors, in their investment and resource allocation programmes have accorded very low priority to the trade sector. Africa's share in world trade had been marginalized despite efforts to strengthen its bargaining position in international negotiations. Domestic trade had not kept pace with demand functions as indicated by serious shortages of food, essential commodities and services in many parts of Africa. Intra-African trade had declined from an average of about 6 per cent in the 1970s to about 4.5 per cent in the 1980s. Similarly, as a result of stagnation in its exports, Africa's share of world trade dropped from about 4 per cent to about 2 per cent between 1970 and 1988. The prices of many agricultural and mineral primary commodities of export interest to Africa collapsed in 1981 to the lowest levels in fifty years. This was manifested in the uncertainties in export earnings, deteriorating terms of trade and fluctuations in the exchange rates of major world currencies to which many African national currencies were pegged. Recently, the situation was aggravated by the breakdown in the negotiations on international commodity agreements on primary commodities of interest to African countries.

(ii) The combined effects of these developments was a drastic reduction in the performance of the export sector and increased balance of payments deficits. Largely as a result of the declining foreign exchange earnings, many African countries were unable to

cope with the debt crisis which was manifested in huge and mounting external debt service obligations. The consequences of these developments have been the low or decreasing economic growth rates, continued wide-spread mass poverty and declining standards of living.

(iii) In order to mitigate these adverse trends, subregional and regional institutions for trade expansion and co-operation have been established. Among such institutions are the Central African Customs and Economic Union (UDEAC); Mano River Union (MRU); the Economic Community of West African States (ECOWAS); the West African Community (CEAO); the Preferential Trade Area for Eastern and Southern African States (PTA); the Southern African Development Co-ordination Conference (SADCC); the Economic Community of the Countries of the Great Lakes (CEPGL); the Economic Community of the Central African States (ECCAS); and the Maghreb Union of Arab States (MUA). At sectoral level, institutions have been created to promote intra-African trade such as the Federation of African Chambers of Commerce; the West African Clearing House; the Central African Clearing House; and PTA Payments and Clearing House. Trade and Development Banks have also been established to promote trade.

(iv) It is, however, disturbing that despite the existence of these institutions, Africa's trade is still characterized by lopsided distribution and marketing policies in which serious shortages of consumer goods, particularly food, exist side-by-side with surpluses within the same economy. This is partly explained by the inability of our countries to adapt to science and technology and partly by the low priority accorded to the rural areas in the development of trade, goods and services and information dissemination as well as trade financing and credit. At the same time, Africa's external sector continues to perform poorly and there is persistent dominance of primary commodity exports in Africa's external trade largely because African

countries have not yet found effective means to diversify such trade through increasing exports of manufactured, processed and semi-processed goods. Institutional and structural problems are also being encountered in the efforts to promote trade between African and other developing countries. The availability of up-to-date trade statistics and information as well as poor marketing strategies and export techniques will also constitute a major problem to be addressed.

(v) Projections show that unless the rigidities in the African production and distribution structures are removed, the trade performance during the 1990s will continue to be disappointing. This situation will be aggravated by the recent oil price hike arising from developments in the Persian Gulf. Domestic trade will have improved only slightly if priorities will continue to be placed only on external trade. This situation will also be aggravated by the low purchasing power of the rural populations, especially in the informal and subsistence sectors in the wake of possible declines in real incomes. Although at the African level, intra-African trade co-operation institutions will have been established in all subregions, the lack of trained manpower and adequate financial resources will prevent some of these institutions from being fully operational. Consequently, the share of intra-African trade to total Africa's trade will still remain at an average level below 5 per cent, but in individual cases such as PTA, the share of intra-PTA trade will have grown much faster than its trade with the rest of Africa. It is likely that agricultural and mineral primary commodity exports will continue to dominate Africa's export efforts in the 1990s and only slight advantage would have been taken of the ACP-EEC Lomé IV Convention to shift the structure of production towards more diversification.

(vi) There is justifiable concern in Africa that the inability to respond effectively to the emergence of the single European Common Market in 1992, will highlight Africa's capacity to penetrate that market or to maintain its current share of trade in the wake of more ferocious competition by the newly industrialized countries (NICs) from other developing regions. Similarly, the shifts in the geo-political and economic relationships between European Economic Community on the one hand and individual trade blocs comprising the United States - Canada Free Trade Area, the Pacific Basin Group and the Council for Mutual Economic Assistance on the other hand, will also present operational policy problems in Africa's external trade relations.

(vii) These strategies contains practical and imaginative policy instruments and measures for domestic, intra-African and international trade that must be implemented to reverse this situation and is built on the recognition that the contribution of the trade sector to growth in the process of structural adjustment, socio-economic transformation and recovery has to be clearly defined to link trade with changes in production, industry and infrastructure as well as the supply of factor inputs to increase the availability of goods and services. Furthermore, the strategy to be implemented in the 1990s in the field of trade should be part of the process of accelerating and operationalizing the Lagos Plan of Action and the Final Act of Lagos. It also should take into account the proposals contained in Africa's Priority Programme for Economic Recovery (APPER) 1986-1990, the United Nations Programme of Action for African Recovery and Development 1986-1990 (UN-PAEERD) and the African Alternative Framework to Structural Adjustment for Socio-Economic Recovery and Transformation (AAF-SAP).

I. THE MAIN OBJECTIVES OF THE AFRICAN TRADE STRATEGIES

1. The main objective of the strategies for the revitalization recovery and growth of Africa's trade in the 1990s, is to improve the quality of life by inter-alia providing all people, especially in the rural areas, with adequate and constant supplies of better quality goods, essential commodities and services. To this end, African countries should at least double the volume of domestic trade by the year 2000. Similarly, the share of intra-African trade should be increased to between 10 and 15 per cent of Africa's total trade. For external trade, Africa's share in world trade should be increased to at least 3 per cent.

2. To achieve this, governments, international organizations and multilateral and bilateral donors must overcome their bias against trade and accord high priority and financing to the development and expansion of Africa's trade. The institutional and operational framework for such trade entails the full participatory involvement of all communities at the grass-root level such as local authorities, village associations, co-operatives, formal and informal credit and financial organizations, chambers of commerce and industry and inter-governmental and non-governmental organizations. This will also require the mobilization of human and financial resources in order to provide a sound and solid indigenous base for the transformation of the informal sector.

3. It is particularly important that full recognition and support should be given to the role of women in trade and to provide investment in small-scale and agro-industries to satisfy the basic needs. The main guiding principle is that without strong and adequate trade structures, the implementation of programmes for poverty alleviation and rural development becomes impeded and disparities in the distribution of income between the rich and the poor become wider.

:. **STRATEGY FOR ENHANCING DOMESTIC TRADE**

In order to draw up a realistic strategy, it is important to ılly recognize and understand a number of critical factors which ıve mitigated against the growth of domestic trade in the past. ıong these constraints are:

(i) Insufficiency or unavailability of manufactured consumption goods and services to be traded within the individual African countries;

(ii) Low levels of income in the rural areas resulting in low purchasing power and lack of credit facilities;

(iii) Inadequacy of pricing policies of domestic products and financial incentives for production;

(iv) Problems encountered in improving distribution and marketing arrangements to reverse the present consumption patterns so as to favour domestically produced goods;

(v) Lack of storage, marketing, advertizing and information on domestic products especially in the wake of the diminishing role of Agricultural Marketing Boards;

(vi) Rigidities of consumption patterns and habits, especially excessive dependence on scarce staple food crops; and

(vii) Lack of trained personnel and technical know-how resulting in inability to effectively absorb and adapt science and technology to develop domestic trade.

5. The strategy is designed in such a way as to mitigate these constraints while at the same time improving the domestic trade performance. It involves the implementation of a number of inter-related policies which include land reforms that guarantee better access and entitlement to land for productive use, the enhancement of the role of women as agents of change and the modernization of the food production sector. This would in turn increase the productivity of the informal sector as well as opportunities for gainful employment for a larger number of people and more equitable distribution of incomes and welfare.

6. An important element of this process is greater participation of the target groups in the decision-making process at the national, local, village and grass-root levels to ensure that the local population can contribute to the planning, organization, production, distribution and marketing of goods and services in the national market. For this reason, the African Charter for Popular Participation in Development adopted in Arusha in February 1990, is relevant to the promotion of domestic trade.

7. In the light of these issues, the following strategy is adopted:

(a) **General framework**

(i) Identifying appropriate institutions to undertake indepth evaluation of demand and supply constraints of specific selected products in each country, so

as to determine the food requirements of the population in all areas, in particular the demand for different food grains to form the basis for domestic trade. If necessary, such an evaluation should indicate ways of introducing new staple food grains in areas affected by floods, droughts and chronic food shortages.

(ii) Encouraging the decentralization of industrial development to the rural areas. This will assist in the speedy development of the physical infrastructures (e.g. transportation and communications) while also providing greater employment opportunities. This would significantly increase rural incomes and improve the standards of living of the rural populations.

(b) Improvement of distribution network

(i) Clearly defining the tasks of each category of operator in the national commercial system (state distribution enterprises, marketing co-operatives, wholesalers, semi-wholesalers, other intermediaries and retailers) and simplifying administrative procedures for domestic trade operations;

(ii) Liberalizing and facilitating terms of admission to commercial activities particularly in the wholesale trade which will allow a better development of enterprises, greater reliability of the sector and therefore fewer risks that distribution will be disrupted;

(iii) Laying down conditions for competition which will prevent monopolies, as applied especially to the undersupplied rural areas where demand is greater than supply and there is very little information;

(iv) Rationalizing distribution channels with a view to minimizing intermediary chains and establishing direct links between producers and consumers;

(v) Taking steps to promote the consolidation of supply or demand through setting up associations or co-operatives of producers, consumers, and users encouraging their creation by means of concessional financing;

(vi) Carrying out a preliminary study on the best location for public or private warehouses for perishable and non-perishable goods based on several factors including proximity to the sources of supply and/or sales outlets to be serviced; the accessibility of the area and availability of skilled manpower to manage the warehouse;

(vii) Involving public wholesale marketing corporations in the handling of some essential commodities in areas where the private sectors involvement is weak;

(viii) Taking into account consumers' interests and protecting such interests particularly in the rural areas by encouraging transport operations through, inter-alia, tax exemptions and other incentives in

order to lower costs of transportation for rural producers and consumers.

(c) Development of infrastructure

(i) Developing a reliable system of domestic transport to ensure the movement of products and the supply to isolated regions;

(ii) Developing the road networks between rural areas without necessarily passing through the capital or other major urban centres;

(iii) Evolving more effective programmes to assist traders and entrepreneurs engaged in domestic trade to have full access to transportation and distribution facilities to improve their performance;

(iv) Introducing new technologies aimed at reducing post harvest losses and improving the storage of perishable goods, including the processing of perishables;

(v) Constructing modern markets and other premises for the traders that would include good storage sanitation facilities and creches;

(vi) Designing and implementing better training and skills up-grading programmes as well as new techniques for trade information, market research and trade promotion to be made available to local traders.

(d) Pricing policies

(i) Lessening controls over prices in order to provide sufficient incentives to the producers thereby ensuring the renumerative levels of producer prices;

(ii) Adjusting the tax policy on the incomes of farmers in order to increase their purchasing power;

(iii) Lowering input costs through a system of customs duties exemptions for crucial raw materials, spare parts and machinery;

(iv) Stabilizing prices and ensuring steady supply of goods through buffer-stock mechanisms and system of floor/ceiling prices.

III. NEW FRAMEWORK FOR INTRA-AFRICAN TRADE EXPANSION

8. As stated earlier the basic objective of the strategy for intra-African trade in the 1990s is to increase the share of intra-African trade to between 10 and 15 per cent of Africa's total trade by the year 2000. This would best be achieved by diversifying the production structures to increase the variety of goods for intra-African trade within the framework of sub-regional economic groupings. The emerging international economic situation suggests that one of the options which African countries have is to adopt appropriate policies to encourage trade within the framework of the subregional institutions. It is recognized that the resulting diversion of trade from traditional North-South channels to intra-African trade would be difficult to attain without some sacrifices to be made by the African countries. It is, however, also possible that new opportunities for trade creation may occur as the African economies attain higher levels of growth.

9. Lessons of experience indicate that past intra-African trade strategies achieved limited results largely due to the following constraints:

(i) Inability to implement commitments already made for reforms or restructuring of existing production patterns to promote intra-African trade;

(ii) Difficulties of assessment and evaluation of benefits derived from intra-African trade and the fear of possible loss of revenue and foreign exchange earnings;

(iii) Complexity of rules, legislation and procedures governing intra-African trade and prohibitive tariffs and non-tariff barriers applied against

African products despite the existence of trade arrangements;

(iv) Non-convertibility of African currencies which hinder the expansion of intra-African trade;

(v) Absence or inadequacy of supply of domestically produced goods for intra-African trade and insufficient information on the types and brands of marketable goods;

(vi) Unavailability of trade financing including foreign exchange, insurance and export credit facilities and the problem of establishing credit-worthiness by African traders; this problem is aggravated by the reluctance of commercial banks to provide such credit; and

(vii) Lack of competitiveness of domestically produced products vis-á-vis imported goods aggravated by consumer preference of imported products by African consumers, especially the elite and urban dwellers; this results in part from lack of trade promotion and marketing, poor quality and packaging and high prices.

10. In this strategy, adequate consideration has been made to design a framework that would enable the countries to resolve the above problems. The main elements of the intra-African trade strategy, therefore, include the following:

(a) Comprehensive market research and analysis

11. The basic objective of the strategy should be to undertake adequate market analysis and establish strong linkages between industrial and agricultural production on the one hand and marketing and distribution on the other, to inter-alia, reduce the "under-utilized capacity" in African countries. In the search for an enabling environment, it is necessary to undertake comprehensive market research and analysis to determine the basis for co-operation taking into account the demand and supply (actual and potential), the structure of production and distribution in industry and agriculture, consumer preferences and habits and the purchasing power of the economies individually as well as collectively.

12. The strategy will ensure that the supply and quality of produced goods is consistent with the patterns of demand, especially in the existing sub-regional economic groupings. There is evidence to suggest that the high incidence of "under-utilized capacity" referred to earlier in a number of production lines in the African countries, is mainly due to the lack of adequate marketing research and analysis. Industrial and agricultural production should be planned in such a way as to thoroughly assess the variations in the demand patterns so as to determine whether a particular line of production would really serve the needs of the communities. Furthermore, it is essential to ensure that production and supply are planned on a subregional or multinational basis to match the demand with the existing or planned production units. The co-ordination of industrial and agricultural production cannot, therefore, be effectively achieved without an analysis and appropriate adjustment of the market structures.

(b) **Restructuring domestic production in agriculture and industry**

13. The basic element of the intra-African trade strategy is to restructure and harmonize production and distribution in industry and agriculture at the subregional level consistent with the objectives of collective self-reliance. This will involve the co-ordination of economic policies and planning mechanisms to ensure a rapid rate of industrial production for intra-African trade expansion to take advantage of the trade liberalization policies and instruments identified in (c) below. To this end, domestic production in agriculture and industry should be restructured so as to widen the base for exchanges and to provide adequate and high quality goods at competitive prices. This condition holds true for all modes of subregional trading arrangements and is of universal applicability in the development and expansion of the base for co-operation in trade at the African level.

(c) **Intra-African Trade liberalization of Domestically-Produced Goods**

14. There is need to support the structures and policy instruments laid down in (a) and (b) above, and to create an enabling environment through more effective programmes for intra-African trade liberalization and customs co-operation arrangements. Although it has long been recognized that the imposition of import duties and other restrictions on trade among African countries are major obstacles to fruitful trade co-operation in Africa, difficulties are still being encountered in implementing trade liberalization programmes. It should be recognized, however, that

these restrictions are, by their very nature, harmful to both the countries imposing them as well as those countries against whom they are imposed. Therefore, generally acceptable techniques for intra-African trade liberalization in domestically-produced goods should be devised.

15. The framework for intra-African trade liberalization will embrace the following basic principles:

(i) granting "most-favoured-nation" treatment on goods originating in other African countries, including preferences on industrial and agricultural products;

(ii) commitment to remove tariffs and non-tariff barriers now imposed on goods produced in other African countries; and

(iii) developing an effective system to compensate countries for the loss arising out of the gradual removal of tariff barriers on the movement of goods and services among groups of countries. This can best be achieved through the increased use of the machinery already in place such as the sub-regional economic groupings as a basis for intra-African trade. These measures will have the effect of increasing opportunities for the establishment of the new multinational production and marketing enterprises within the grouping, thereby ensuring a fair and equitable distribution of gains from co-operation in trade.

(d) **The Establishment of an African Common Market**

16. A critical element of the intra-African trade strategy for the 1990s is establishment of the African Common Market called for in the Lagos Plan of Action. This work should be accelerated as a matter of top priority within the framework of the proposed African Economic Community. In order to achieve this objective, collaborative action should be taken to include the following:

(i) Co-ordination of the strategies, policies and programmes for economic and social development as a basis for accelerating the establishment of an African Common Market;

(ii) The establishment of subregional commodity exchanges to provide up-to-date information on the supply and demand for African products traded at the African level, including raw materials;

(iii) Significant improvements in the exchange of intra-African trade information through the adoption of comprehensive trade information networks utilizing electronic data processing techniques. More specifically, information should be provided to African traders for the supply of goods and services offered by or originating from other African countries;

(iv) The creation or rehabilitation of inter-country roads and rail links likely to encourage the growth of intra-African trade with particular emphasis on feeder and access roads permitting easier transportation of rural produce to the market; and

the use of African airlines and shipping lines to increase the freighting and transportation of goods for intra-African trade;

(v) Encouraging the establishment of joint African airlines and shipping lines;

(vi) Providing information on pricing policies and other incentives designed to encourage intra-African trade, especially in food and food products;

(vii) Supporting the African business enterprises to participate more effectively in the subregional and the All-Africa Trade Fairs, including the removal of man-made obstacles to the movement of exhibits to these fairs.

(e) **Increasing Counter Trade Exchanges**

17. Counter-trade, especially in raw materials and food, is recognized as a factor for reducing the need for foreign exchange for intra-African trade and should be encouraged. Therefore, the potentials for such trade should be determined. It is important to establish a list of goods to be exchanged under counter-trade arrangements as well as modalities under which such trade should take place.

IV. REVITALIZING THE EXTERNAL TRADE SECTOR

18. As already stated in paragraph 1, the main focus of the strategy for the external trade sector is to increase Africa's share in world trade to at least 3 per cent by the year 2000. To achieve this, measures will be taken to reverse the disappointing trends in Africa's external trade performance experienced during the 1980s. Africa's external trade strategy needs to be significantly changed or modified. The revitalization of the African export sector has to be accorded the highest priority in the strategies for adjustment and transformation. The basic elements of such a strategy include: (a) improving the macro-economic environment and social framework for Africa's external trade; (b) significant decrease in dependence on exports of agricultural and mineral primary commodities; (c) significant improvements in export earnings capabilities; (d) new framework for North-South trade relations; and (e) South-South trade and co-operation.

19. There is evidence to suggest that in the past, the external trade strategy did not include adequate provisions to solve the following constraints which impeded the expansion of Africa's external trade:

(i) Excessive dependence on agricultural primary commodities and crude minerals;

(ii) Limited range of manufactured goods identified as African in origin and design coupled with poor and inadequate marketing strategies;

(iii) Problems of identifying new market channels and new trade opportunities; and the inability to exploit

those markets through the introduction of new product lines and brands;

(iv) Problems in supply dependability to ensure that once captured, the markets for African products are not lost to other suppliers;

(v) Lack of adequate incentives and motivation for export promotion;

(vi) Problems of ensuring competitiveness arising largely from inadequate or inappropriate pricing policies, lack of adequate standardization and quality control, unrealistic exchange rate policies, and excessive export duties; this is exacerbated by the inability of the African countries to respond to the global technological innovations which render African commodities less competitive with synthetic substitutes;

(vii) Lack of effective control of African transport and communications, shipping, containerization and modernized ports;

(viii) Continued tariff and other protectionist measures, including subsidies in the industrialized countries which militate against African products; and

(ix) Control of trade and distribution channels by foreign entities, especially transnational corporations, and restrictive trade and business practices by such transnational corporations.

20. The new trade strategy is designed taking full cognizance of these problems and contains the following critical elements:

(a) **Improving the macro-economic environment and institutional framework for trade development and promotion**

21. The macro-economic environment will be significantly improved through the implementation of the following policies:

(i) The formulation, within an overall development strategy at a national and subregional levels, of an export promotion programme and a comprehensive policy package. These should be developed within the context of a long-term planning perspective and should explicitly take into account the macro-economic environment, resource needs and human resource development, research and technological development and potential gains from sub-regional co-operation so as to ensure export-led growth and contribution to the process of structural transformation of the African economies;

(ii) The design and implementation of macro-economic and social policies, notably exchange rate, taxation, price and other policies affecting producer incentives, so as to give impetus to the export sector; remunerative producer prices; more effective agricultural research and extension services; and the introduction on a larger scale of technological innovations and modern farming practices. At the same time, an outward-looking export promotion strategy should not discriminate against production for domestic use and should be compatible with the objectives of food security and food self-sufficiency;

(iii) The adoption of a new approach to primary commodity sector with a view to increasing its efficiency and competitiveness and recapturing lost markets for traditional African exports. This should include new domestic policies and commitments on the part of African Governments to make commodity exports more remunerative to producers, and primary commodity sector more flexible and adaptable to world market conditions;

(iv) The expansion in the range of options for exploiting natural resources through the creation of conditions which encourage indigenous private sector involvement in mineral exploration and processing activities and promote small-scale mining by, inter alia, improving the tenure system of small-scale miners;

(v) Shift towards more flexible and less centralized institutional mechanisms with a view to transforming where appropriate, the parastatals into autonomous and self-financing enterprises so as to increase their overall efficiency in all stages of production, distribution and marketing.

(vi) The design of new programmes aimed at improving the efficiency of the marketing chain and ensuring that the policies in this area are integrated and mutually reinforcing at all stages of the marketing process; set appropriate incentive structures for the exporters so as to guarantee that producer prices are closely related to market prices;

(vii) The definition, in precise terms, of the role and functions of the marketing boards, where they still exist, with the aim to ensuring that they operate in competitive environment;

(viii) The formulation and implementation of more effective supply management policies so as to ensure dependability of supply and to balance supply and demand through inter alia long-term adjustment and rationalization of production;

(ix) The introduction of policies providing for systematic improvement over time of storage and transportation facilities, roads, ports and communication infrastructure with a view to enhancing the competitiveness of export products.

(b) **Decreasing the dependence on primary commodities**

22. In the 1990s, there should be a significant decrease in Africa's dependence on exports of agricultural and mineral primary commodities. To this end, the strategy will include the following aspects:

(i) A new dialogue with transnational corporations (TNCs) to mutually agree to reverse the trends in the extractive and mining industries which now concentrate on exporting crude minerals while only a small amount of processing is undertaken. To this end, a new compact will be reached concerning the sharing of control of the processing and distribution of African primary commodities so as to make African Governments less vulnerable to

international changes in pricing and exports of such commodities. New measures will also be taken to increase the use of science and technology and research and development (R & D) to enhance the exports of manufactured and semi-manufactured goods to the rest of the world;

(ii) New and more vigorous demand and supply studies in the industrialized countries to identify patterns that can be matched against specific African produced goods and services. In doing so, special attention will be given to the quality of the goods, price competitiveness, packaging and merchandizing as well as international trade facilitation requirements. Efforts should also be made by African countries to engage in direct marketing of their products and to reduce the use of intermediaries;

(iii) Comprehensive studies of the patterns of trade in the synthetic substitutes that threaten African primary commodities, as well as the structure of trade in primary commodities among the industrialized countries so as to determine their impacts on the African structures of production and distribution.

(c) **Significant improvement in Africa's export earnings**

23. A critical element of this strategy is to halt the declining trends in Africa's export earnings as a matter of urgency. To this end, African governments will increase their capacities to understand the working of international market mechanisms and how these are manipulated by foreign firms and transnationals through

pricing mechanisms and shifts in supply functions to respond to anticipated demand. The trade strategies will be restructured with a view to facilitating the penetration of African products in international markets at higher remunerative levels. This will be achieved through the following:

(i) The intensification of efforts to diversify the export production, seeking to develop new products especially those that can readily be identified as "African" and to identify markets for them; encourage further processing of agricultural and mineral commodities and expand the process of industrialization; the adoption of measures to promote horizontal and vertical diversification of exports including the provision of concessional financing to expand the processing capacity for agricultural primary commodities and minerals;

(ii) Creation, where appropriate, of "export processing zones" or "free trade zones" that would effectively contribute to the promotion of manufactured and semi-manufactured exports. Such zones could attract external capital by a system of customs duty or tax exemption on capital goods, spare parts and raw materials, total or partial exemption on dividends during the initial period of operation, accelerated depreciation for export-oriented enterprises, preferential credit and acquisition terms for land and buildings in the zone, free repatriation of dividends for foreign investors and flexible labour legislation;

(iii) Identification within the services sector (e.g. money and banking, insurance, storage, marketing and distribution, advertizing and merchandizing) of branches with significant potential for export growth and promotion, particularly those closely interrelated with or supporting commodity exports, and adoption of measures aimed at strengthening exportable services through greater institutional and financial support so as to increase export earnings from services; and

(iv) Adoption of a more aggressive export promotion drive through the preparation of an inventory of Africa's products to be subjected to a realistic policy to ensure more competitiveness of African goods in the world markets, taking advantage of possible price increases for such products; and systematic analysis of the cost structures of African exports, especially port facilities, shipping and air-freighting, intermediaries, and trade representation so as to identify areas where cost reductions could be achieved. This would immediately increase the "retained value" of Africa's exports as well as their competitiveness.

(d) **New Framework for Africa's Trade Relations with the North**

24. During the 1990s, the external trade strategy will focus on increasing the gains while minimizing Africa's losses from international trade. In addition to the UNCTAD forum, a platform (see paragraph 40) must be found by which particular trade problems of African countries can be brought to the attention of the Group of Seven Most Industrialized Countries for appropriate support.

Such a forum will provide Africa with the opportunity to negotiate with its trading partners to remove their restrictive and protectionist policies.

25. Therefore, the new structure of trade relations will focus on the following important elements:

(i) Redefining and strengthening the institutional framework for policy dialogue and negotiations between Africa and the developed countries within the United Nations Conference on Trade and Development (UNCTAD), the General Agreement on Tariffs and Trade (GATT), International Monetary Fund (IMF) and the ACP-EEC Lome IV Convention. Such dialogue should aim at identifying new areas for co-operation that can halt the economic declines in the African countries thereby enabling them to maximize the advantages from international trade;

(ii) Engage in new dialogue with international community with a view to re-establishing or strengthening the International Commodity Agreements (ICAs) for commodities of major export interest to African countries, enhancing co-operation within the producer organizations including African regional organizations, for the purpose of improving market research, product development, supply management and dependability and new uses for traditional commodities;

(iii) An agreement setting up a new framework for the transfer, acquisition and adaptation of science and technology in the light of Africa's strategy for

external trade development. In particular, the application of the United Nations Electronic Data Interchange for Administration, Commerce and Transport (UN-EDIFACT) will enhance trade between Africa and the developed countries. The introduction of computers in African countries to facilitate international trade should be accompanied by intensive training and skills up-grading in the use of new techniques for trade promotion;

(iv) Comprehensive analyses of supply of existing and potential manufactured and semi-manufactured products in African countries that have a real export potential to form the basis for new negotiations for tariff reductions in international trade. Simultaneously, a demand and consumption analysis, including standards and quality control, will be made in the markets of industrial countries to determine the marketability of the African products as well as appropriate institutions and trade facilitation mechanisms.

(e) Enhancing South-South Trade and Co-operation

26. In order to promote South-South trade and co-operation and thereby foster growth of the manufacturing sector in Africa, the following strategy is adopted:

(i) in the light of the Caracas Programme of Action on Economic Co-operation, African sub-regional economic groupings should study ways of creating preferential trade regimes between Africa and other developing

regions pursuant to the Global System of Trade Preferences among Developing Countries (GSTP);

(ii) Appropriate mechanisms for improving inter-regional monetary and financial arrangements will be devised in order to eventually create multilateral clearing arrangements for interregional trade facilitation so as to enhance such trade;

(iii) Improve the flow and exchange of trade information to enable the expansion and promotion of interregional trade. Similarly, communications services among developing countries should be significantly improved;

(iv) State Trading Organizations (STOs), national export promotion centres, as well as chambers of commerce and industry, should link their demand for goods and services with the supply by their counterparts in other developing regions and should explore possibilities of counter-trade where mutually beneficial.

V. ENHANCING THE ROLE OF WOMEN IN TRADE

27. The objective of the trade strategy is to improve significantly the participation of women in trade. Women in Africa have, over the centuries, been active participants in the production and marketing of agricultural products, handicrafts and other goods. A significant proportion of the operators in most markets in Africa, especially in the agricultural produce, informal sector and in cross-border trade are women. The strategy for revitalizing Africa's trade recovery and growth must include appropriate policy measures designed to increase women's participation in domestic, intra-African and external trade.

28. Lessons from experience indicate that in the past, the African women faced the following specific problems which were not adequately addressed:

(i) Inadequate policy and institutional framework to support women's participation in domestic, intra-African and external trade;

(ii) Negative traditions, attitudes and bias against business women in African societies;

(iii) Unavailability and/or inadequate access of women to means of production, particularly land and capital;

(iv) Lack of legal framework to support women's rights in trade and commerce;

(v) Lack of institutional support to women's co-operative organizations in the field of trade.

29. In order to fully address these problems in the 1990s, the following strategy for enhancing the role of women in trade has been designed bearing in mind the Arusha Strategies for the Integration of Women in Development and the Nairobi Forward-Looking Strategies for the Advancement of Women. Accordingly, in order to encourage more effective participation of women in trade, the following strategies are adopted:

(i) Provision of adequate support to women in trade in order to ameliorate the legal, social, economic, religious and cultural constraints that have been major impediments to the effective participation of women in this sector as well as in small-scale and agro-industries. Furthermore, mechanisms for the co-ordination of the fragmented entrepreneurial skills, both for rural and urban women, will be vigorously pursued. Support in the provision of market sheds, access to raw materials, training and up-grading of skills in small-scale and agro-industries, deserve immediate attention;

(ii) Improving the weak and fragile financial base through appropriate policy measures, including providing adequate collateral in order to enhance women's access to credit and capital. In this respect, a new framework will need to be devised to enable banks to shift their emphasis from automatic collateral requirements to criteria of profitability of the investment;

(iii) Improving the environment for small-scale women traders, business enterprises, small-holder and

medium-scale farmers and producers of marketable goods, including handicrafts;

(iv) Identifying economically viable projects to be developed into self-sufficient profitable entity through good management and access to science and technology;

(v) Encouraging women to establish financial co-operative enterprises which will allow them to "pool" their resources for investment, improve their collateral and also spread the business risks among its members; furthermore, improve women's access to credit by creating within existing financial institutions, "special windows" that can provide financial services to women.

VI. CREATING THE ENABLING ENVIRONMENT FOR PRIVATE SECTOR PARTICIPATION IN TRADE

30. These strategies recognize the role of the private sector in the development and expansion of trade. Therefore, new measures or mechanisms will be devised to provide incentives and support structures to encourage more effective participation of the private sector in trade promotion and expansion. To this end, national, sub-regional and regional federations of chambers of commerce, industry and mines, and more specifically, the Federation of African Chambers of Commerce, should be given the opportunity to contribute to the decision-making process for trade.

31. The private sector has an important role to play in implementing these strategies. It should therefore be provided with an appropriate enabling environment in which it can translate government policies into viable and bankable trade projects. The Ministers of Trade should evolve an appropriate framework for undertaking regular consultations and dialogue with the private sector, including transnational corporations engaged in production, distribution and marketing with a view to determining the modalities for private sector participation in trade promotion.

32. Provide the business community with appropriate economic and political environment conducive to export promotion and diversification, including such measures as the introduction of export insurance and credit schemes, tax exemption for exporters of manufactures and semi-manufactures, appropriate pricing policies as well as reinforcing export support institutions.

VII. STRATEGY FOR TRADE FINANCING

33. Trade financing is an integral part of sound strategies for revitalizing Africa's trade in the 1990s. Experience shows that in the past many well-formulated trade strategies failed to materialize because of lack of financing. The main issues that need to be addressed include the following:

(i) Inadequate policies for investment and financing to support domestic, intra-African and external trade, including the unavailability of foreign exchange, export credit and domestic insurance cover;

(ii) Multiplicity and non-convertibility of currencies which hinder expansion of intra-African trade;

(iii) Low budgetary allocation by governments to the trade sector; and

(iv) Low priority accorded to the trade sector by international development finance institutions in their aid and resources allocation programmes.

34. If the trade strategies are to be realized, there is a clearly recognized need to address more effectively the question of intensive mobilization of domestic and external resources to support the trade sector and to improve the quality and forms of finance to this sector. It is necessary to put in place the following appropriate financial support framework, taking into account the required linkages between production, processing, marketing and distribution:

(a) **Facilities for Financing Domestic Trade**

(i) Improving the mobilization of domestic savings by official credit institutions particularly in the rural areas, and subsequently strengthening the commercial credits branches of such financial institutions;

(ii) Making credit allocation schemes more flexible and adapting the terms under which loans are granted and reimbursed to the characteristics of the sector and of the commercial operations concerned, such as the speed of sales turnover, seasonal cycles or type of operator;

(iii) Carrying out a study on the future requirements for commercial credits in line with sectoral objectives;

(iv) Extending permanent financial support and credit facilities to small businesses, including in particular co-operatives and traders in informal sector, providing for soft loans and concessional credits to these operators; establishing revolving funds for women activities and improving legal framework for women's access to credit;

(v) Providing technical support to small-scale enterprises and informal sector in the preparation of viable credit applications.

(b) **Policy Instruments for Intra-African Trade Financing**

(i) Establishment at the national, sub-regional and regional levels of specialized financial institutions to support the trade sector. The PTA Trade and Development Bank and ECO Bank are examples of such specialized financial institutions;

(ii) Strengthening existing sub-regional clearing and payments arrangements in order to increase the volume of transactions passing through such institutions and thereby reduce Africa's heavy dependency on "hard currencies" for financing intra-African trade. In addition, steps should be taken to establish the North African Clearing and Payments Arrangements, which is the only missing link for the establishment of an African Clearing and Payments Union;

(iii) The process for the establishment of the African Monetary Fund should be accelerated in order to provide additional balance of payments support for deficits arising from intra-African trade;

(iv) New efforts should be made to deal with the problems arising out of the multiplicity of non-convertible currencies in the expansion of intra-African trade. Accordingly, in the 1990s, measures should be taken to introduce the convertibility of African currencies, within the framework of sub-regional and regional monetary and financial arrangements. To this end, the introduction of the UAPTA Travellers

Cheques in the PTA[1] could constitute an important element for trade financing policy.

(c) Financing External Trade

(i) Specialized financial institutions should be established to provide short- and medium-term finance to the trade sector including export credit financing and export insurance. To this end, the efforts of the African Development Bank to establish an African Export-Import Bank are indeed welcome, and so are the efforts by some African countries to establish national Export-Import Banks;

(ii) Transnational banks and local commercial banks should be encouraged to allocate more financial resources to support indigenous entrepreneurs and traders, particularly small- and medium-scale businesses engaged in trade promotion activities;

(iii) Governments should allocate increased resources to support the trade sector within the framework of their annual budgets; they should also establish export guarantee schemes which are an important element of a modernized trade sector;

(iv) More foreign exchange should be made available to the trade sector, particularly to processing for exports in order to increase marketable and exportable output. This can be achieved inter alia

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[1] UAPTA is the Unit of Account of the Preferential Trade Area for Eastern and Southern African States.

by significant reductions in allocation of foreign exchange for conspicuous consumption and non-productive investments.

VIII. MECHANISMS FOR IMPLEMENTATION, MONITORING AND FOLLOW-UP

35. A specific draw-back of previous trade strategies adopted by African governments was the lack of adequate mechanisms for implementation, monitoring and follow-up. These strategies have adequately addressed this anomaly. It is recognized that the comprehensive nature of these strategies calls for the participation of all major actors and institutions in trade development, promotion, financing, marketing and distribution. While the implementation of these strategies is the responsibility of the African governments through the Ministries responsible for trade, it is recognized that all agents concerned with growth and development should be approached to make their contribution.

36. International organizations such as the World Bank, the African Development Bank, the United Nations Development Programme, the United Nations Conference on Trade and Development, the International Trade Centre, the European Economic Community and the Commonwealth Secretariat are expected to play a significant role in assisting African countries in the implementation of these strategies. Similarly, bilateral donors are also expected to play an important role, especially in trade financing.

37. The implementation of these strategies requires a macro-policy approach in order to promote domestic, intra-African and international trade, taking full account of the objective of self-reliance embodied in the Lagos Plan of Action. Therefore, a clear analysis of market mechanisms at different levels is essential in order to design adequate and appropriate instruments for production, distribution, advertising and marketing. To this end the following implementation, monitoring and follow-up mechanisms will be put in place to assist African governments either individually or collectively, to implement the strategies.

(a) **Action at the National Level**

38. At the national level, the Ministers responsible for trade, in consultation with other Ministers, will set up, where this does not exist, an Inter-disciplinary Committee on Trade to draw up a programme for implementing the Strategies for Revitalization, Recovery and Growth of Africa's Trade in the 1990s. This Committee will be made up of senior officials from the trade, agriculture, industry, planning, finance, transport and communications and human resources development sectors, as well as the representatives of the national State Trading Organizations, and chambers of commerce. It would also be the task of that Committee to ensure, inter-alia, a sound functional relationship between trade and other key sectors of the economy. The Committee should also ensure that the trade sector is accorded high priority in the national development plans and in the allocation of development finance.

(b) **Action at the Sub-regional and Regional Level**

39. At the sub-regional and regional levels, the Executive Secretary of ECA and the Secretary General of OAU should establish a High-Level Inter-Secretariat Committee made up of Executive Heads of Sub-regional Intergovernmental Organizations (IGOs) concerned with trade whose main mandate would be, among other things, to identify common areas of interest and to implement programmes aimed at promoting trade among the various subregional groupings. National, subregional and regional women's organizations and the African Regional Co-ordination Committee for the Integration of Women in Development (ARCC) should also participate in this Committee. The other task of such a committee will be to assess and evaluate the success of trade promotion programmes within each subregional grouping. This committee will also be useful in the work towards the establishment of an African Common Market by using these subregional groupings as building blocks.

(c) Action at the International Level

40. At the international level, the current Bureau of the Conference of African Ministers of Trade should also serve and constitute an Ad Hoc Standing Committee on Trade and should be responsible for monitoring the implementation of all internationally agreed programmes and measures in international trade. It should be supported by the ECA, OAU, UNCTAD, ITC and subregional institutions. This standing committee should also foster the exchange of experiences between Africa and other countries in the development and promotion of external trade. It should also have the mandate, where appropriate, to contact, on behalf of individual countries or sub-regional groupings, selected industrialized countries to discuss mutual programmes in international trade. The committee will work closely with the secretariat of African, Caribbean and Pacific (ACP) Group, the Non-Aligned Movement, the South Commission as well as the Group of 77, to ensure co-ordination of efforts and positions in all international trade negotiations.

41. An important aspect of the implementation mechanism of the present external trade strategy is to eliminate within the GATT framework or on a bilateral basis, serious tariff escalation affecting commodities of particular importance to African countries; phase out high internal duties and taxes on tropical products; abolish quantitative restrictions on imports of African commodities, especially, the EEC quotas and seasonal restraints on African agricultural products. It is important, at the international level, to review the rules of origin, anti-dumping and import restraint measures in respect of manufactured or semi-manufactured exports of African countries so that they would contribute to Africa's diversification efforts. It is also

necessary to improve the Generalized System of Preferences (GSP) schemes without the impairment of the multilaterally agreed principles taking into account special problems of the least developed countries.

42. Increased international efforts should be made with a view to re-establishing or strengthening the International Commodity Agreements (ICAs) for major commodities of export interest to Africa. These agreements have been useful in price stabilization programmes as well as in enhancing co-operation among producer organizations, including African regional commodity organizations, in marketing research and product development.

IX. CONCLUSIONS

43. The Executive Secretary of ECA, the Secretary General of the OAU and the President of the African Development Bank should jointly initiate contacts with relevant international organizations in order to implement these strategies. Furthermore, the Executive Secretary of ECA, in collaboration with other relevant international organizations and the standing committees established by member States under paragraphs 39, 40 and 41 should submit a progress report to all future regular meetings of the Conference of African Ministers of Trade on the implementation of these strategies.